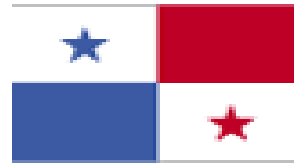


Panama

<i>Capital:</i>	Panama City
<i>Population:</i>	3,000,000
<i>GDP*:</i>	16 billion
<i>Currency:</i>	US dollar
<i>Language:</i>	Spanish



Summary

It took the Panamanian automotive sector nine years to surpass the historical sales record of 1998. In 2007, passenger car and commercial vehicle sales reached a total of 41,375 units, an increase of 33 percent compared to 2006 and nearly 24 % higher than the historical sale record of 1998.

Around 600,000 vehicles presently circulate in the Republic of Panama, of which 70% are passenger vehicles, 22% are pick-up trucks and commercial work vehicles; buses and microbuses account for about 6% of the market and other vehicles represent some 2%.

Current Market Trends

Sales of passenger vehicles to individual consumers and businesses, roughly at equal levels, account for most transactions. Sales are expected to increase again this year spurred by growth in construction, tourism and canal related activities, and nurtured by a relatively stable economy.

The traditionally open Panamanian market makes for a vehicle mix very different from other countries with a preference for subcompact and compact passenger cars primarily operated in congested city driving conditions. Deteriorating road and traffic conditions and the large influx in recent years of vehicles with more sophisticated technology require higher quality and more sophisticated parts. The vehicle accident rate is at an all-time high with an average of 100 collisions daily, which bodes well for body parts and collision repair equipment.

Market Entry

Price, service, brand awareness and quality are the principal factors influencing most local parts purchases. Parts stores are usually located in several well-known "parts" streets that facilitate price and assortment comparison by local consumers.

In general, automotive parts competition is intense with a broad range of quality and prices to choose from. A major factor affecting competition is the one step distribution channel from importer/wholesaler direct to the end user, practiced by the larger multi-store operators. Although the market has not yet reached saturation level, several large importers have overstocks of fast moving parts and have further reduced prices to lower their inventories.

Successful brands invest in seminars and product training, merchandising material, promotional campaigns and catalogs in Spanish with vehicle applications and OEM cross-references. It is important to have catalogs updated with the correct vehicle models and specifications sold in this market as they frequently differ from those in the U.S. Efforts should be made to educate counter salespersons and end-users as to parts compatibility and usage; e.g. many technicians will use Japanese spark plugs for Japanese and Korean cars, German plugs for European cars and U.S. plugs for U.S. cars.

The import climate for automotive parts is positive. Import duties are reasonable and customs clearance is relatively fast and straightforward. Panama has a dollar-based economy, good transportation infrastructure and telecommunication systems, modern ports and excellent access to shipping and air transport.

U.S. products enjoy a high quality image and are well accepted. There are no regulations, technical or safety standards for automotive parts.

Market Entry (continued)

Import duties on vehicle parts, in general, range from 5% to 15% of the CIF value. Ad valorem import duties are levied on the CIF value plus a 5% value-added tax. This is a sample list of duty rates by parts category:

Main Competitors

New automobile imports by origin: Japanese 69%, Korean 17%, U.S. just under 6% and European 5%.

Toyota is the leading brand in sales with a total of 28 percent of the market; followed by Nissan 20 percent and Hyundai 11 percent, with the makers capturing approximately 60% of the market.

Competition is intense. Parts imports from the Far East, especially Japan, Korea and Taiwan, account for 60% of total imports due to their low cost and the predominance of Japanese and Korean cars in the market. Of that share, about 20% enter Panama via the Colon Free Zone and inventories maintained to service a number of Latin American markets. Nevertheless, imports from the U.S. continue to be significant at 35%, which include U.S. exports to both U.S. and foreign made parts, due to quick delivery times, product assortment and diversity of suppliers, competitive freight costs and payment conditions.

Current Demand

Trucks and heavy equipment will be needed for the Expansion of the Panama Canal Project, sales in this sector are expected to increase in the coming years.

Sub-sectors offering the best market opportunities include servicing equipment, passenger and light truck tires and tubes for heavier trucks, buses and equipment, passenger vehicle body parts and collision repair equipment.



Good prospects for U.S. exports include engine parts, pumps, filters, batteries, ignition parts, spark plugs, lamps, body parts, brake parts, shock absorbers, exhaust components and used or remanufactured parts especially for buses, dump trucks and other commercial vehicles.

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